

The Role of a Construction-Manager for County Facilities

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[Editor's Note — Mr. Baum presented the following as a part of a panel discussion for a Road School County Commissioners Separate Session. The concept of a construction-manager should be considered by public officials responsible for the construction of public facilities.]

Construction management is one of the most effective methods of satisfying an owner's building requirements. By integrating planning, design and construction through a team effort (usually comprised of the owner, architect/engineer and construction manager), the owner's interests are better served. The construction manager is a qualified professional organization which performs the management of the project time schedule, budget, building quality and oversees the actual construction under a professional services contract with the owner.

The construction manager (CM) provides leadership, information and recommendations with regard to construction technology, economics and alternatives. The CM also provides reliable budget estimates from concept to construction, thus assuring monetary, quality and time scheduling controls. The use of a CM provides a totally competitive bid project on all phases of the work. The CM also assumes responsibility for the quality of the product as contractually required by the professional services agreement.

A CM provides valuable services during the program and pre-construction phases, providing leadership for the team, value engineering analysis for the proposed systems and finishes, and determining the best possible methods and procedures for construction. During the construction phase the CM provides leadership and management of the construction and assures the quality of the project in accord with the contract documents.

Construction management has grown in the building industry from the infancy stage in the early 70's to a major contributor today to the construction industry. Many reasons are attributed to its growth, but the use of bonds to finance projects, general construction double markups, and performance bond requirements are major influences towards using CMs in construction projects. Bond financing requires early-on realistic

budget projections for time and dollars which are the major tools of all CMs. Bond holders also want assurances projects will be built in accord with bond documents to protect their investments.

Today's trend toward specialists has evolved the general contracting industry to subcontract nearly all trades to specialists. While this reduces the general contractor's risk, it also creates "double markups" on the specialist subcontractors. CMs become the substitute of the general contractor which eliminates the double markups by having the specialist contractor directly contracted to the owner.

With the increase of project costs due to inflation and scope, many general contractors are no longer able to provide 100% performance and payment bonds to insure their faithful performances without requiring additional bonds from the subcontractors. This double bonding only adds costs to projects without providing the owner any additional assurances projects will be completed properly, on time, and within budgets.

Further enhancing construction management, is the fact specialist contractors usually enjoy much lower bonding rates than the typical general contractor. This alone can save owners more than ½ of one percent of construction costs of a project.

Owners also enjoy the fact that construction management will provide many more bidders interested in bidding the project, and that the owner will receive *all the bids* directly. Under the general construction concept, any one general contractor will not normally get all the bids because of local circumstances, etc. and therefore the owner may pay more for the end product than really necessary. Any savings generated by all bidders contracting directly with the owner accrue to the owner's account and not into the general contractor's pocket.

Some of the added interest of specialist bidders can be attributed to direct payment from the owner to the contractor. Under the general construction method, the general contractor is paid by the owner and may not pay its subcontractors for several weeks or months. Subcontractors must eventually borrow operating capital which subsequently drives up its prices to cover interest charged for this capital.

It has been proven CMs can and do produce savings of 7%-8% on overall construction costs and can lower design fees from experienced architects by reducing document re-drawing, less bidding requirements, and reducing construction field administration costs.

Construction management is recommended for all types of owners, private and public, and for all sizes and scopes of projects regardless of time schedules and dollar amounts for any given project.

In Indiana today, construction managers are required to respond to public owner's advertisements for proposals with the selection and hiring process based upon similar criteria as selecting the architect/engineer. The majority of proposals will be based upon a percentage of construc-

tion costs and perhaps later changed to a lump sum fee. CM fee structures vary from project to project depending upon the duration and complexity of services but usually will average from 2% to 6%.